

Recovering from Recession

—Is the economy out of the woods yet? —

Presented at
The Keizai Society U.S.–Japan Business Forum
Mountain View, California
on September 28, 2010

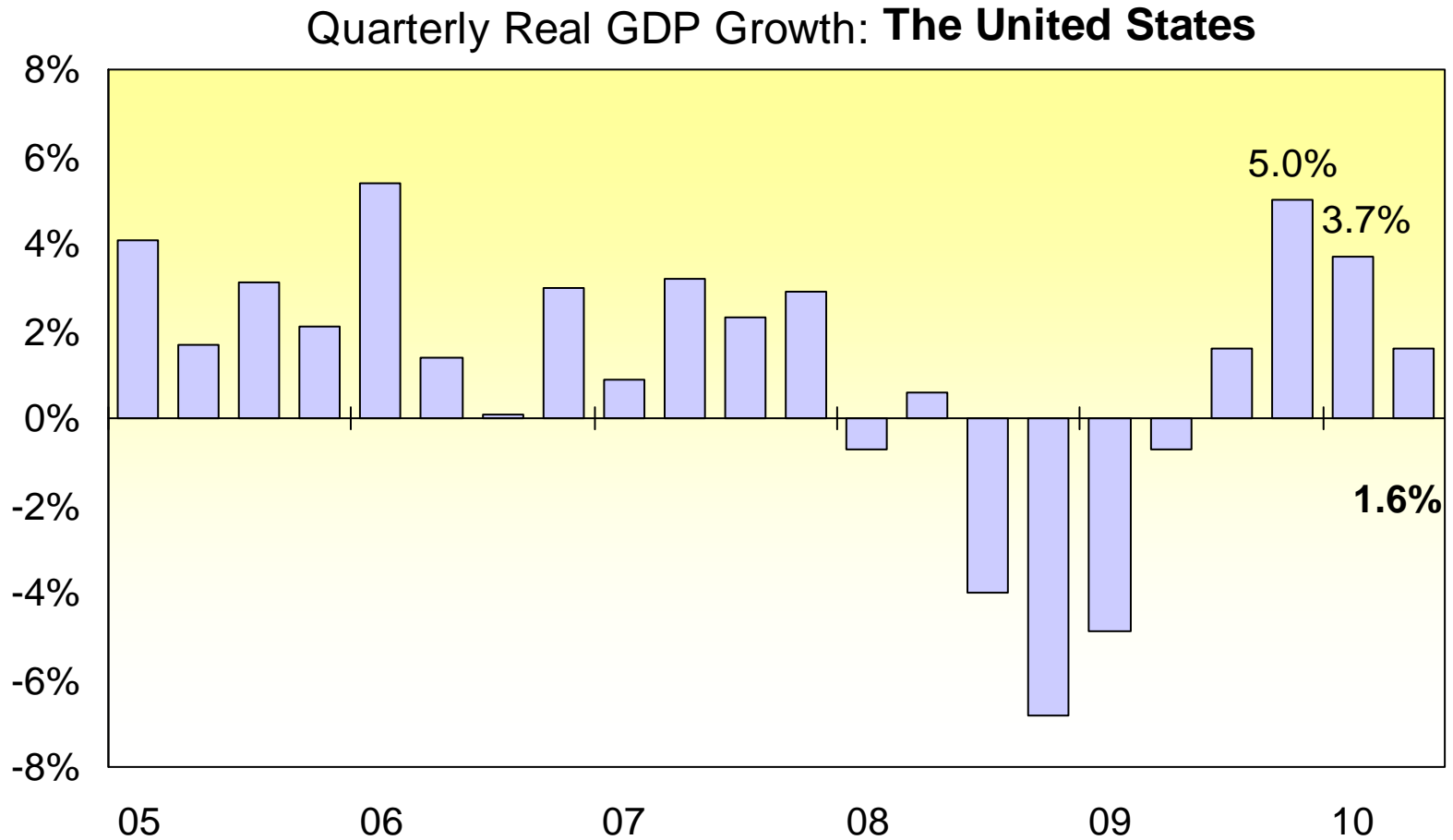
by Kei Matsuda
Director of Economic Research, Union Bank

The Longest Post-WWII Recession

Ten (10) Post-WWII Recessions

Peak	Trough	Duration # of Month	Period Average		
			Monthly Job Growth (000)	Unemployment (%)	Inflation (%)
Nov-48	Oct-49	11	-133.3	5.4	0.2
Jul-53	May-54	10	-134.5	4.1	0.9
Aug-57	Apr-58	8	-227.8	5.3	3.3
Apr-60	Feb-61	10	-77.5	5.8	1.5
Dec-69	Nov-70	11	-51.7	4.7	5.9
Nov-73	Mar-75	16	-42.9	5.9	10.8
Jan-80	Jul-80	6	-95.7	6.8	14.3
Jul-81	Nov-82	16	-161.8	8.9	8.0
Jul-90	Mar-91	8	-140.3	6.1	5.8
Mar-01	Nov-01	8	-167.1	4.7	2.9
		Mean	Weighted Average		
		10	-118.1	5.9	5.5
“Great Recession”					
Dec-07	Jun-09	18	-373.7	6.5	2.7

GDP Rose +1.6% in the 2nd Quarter



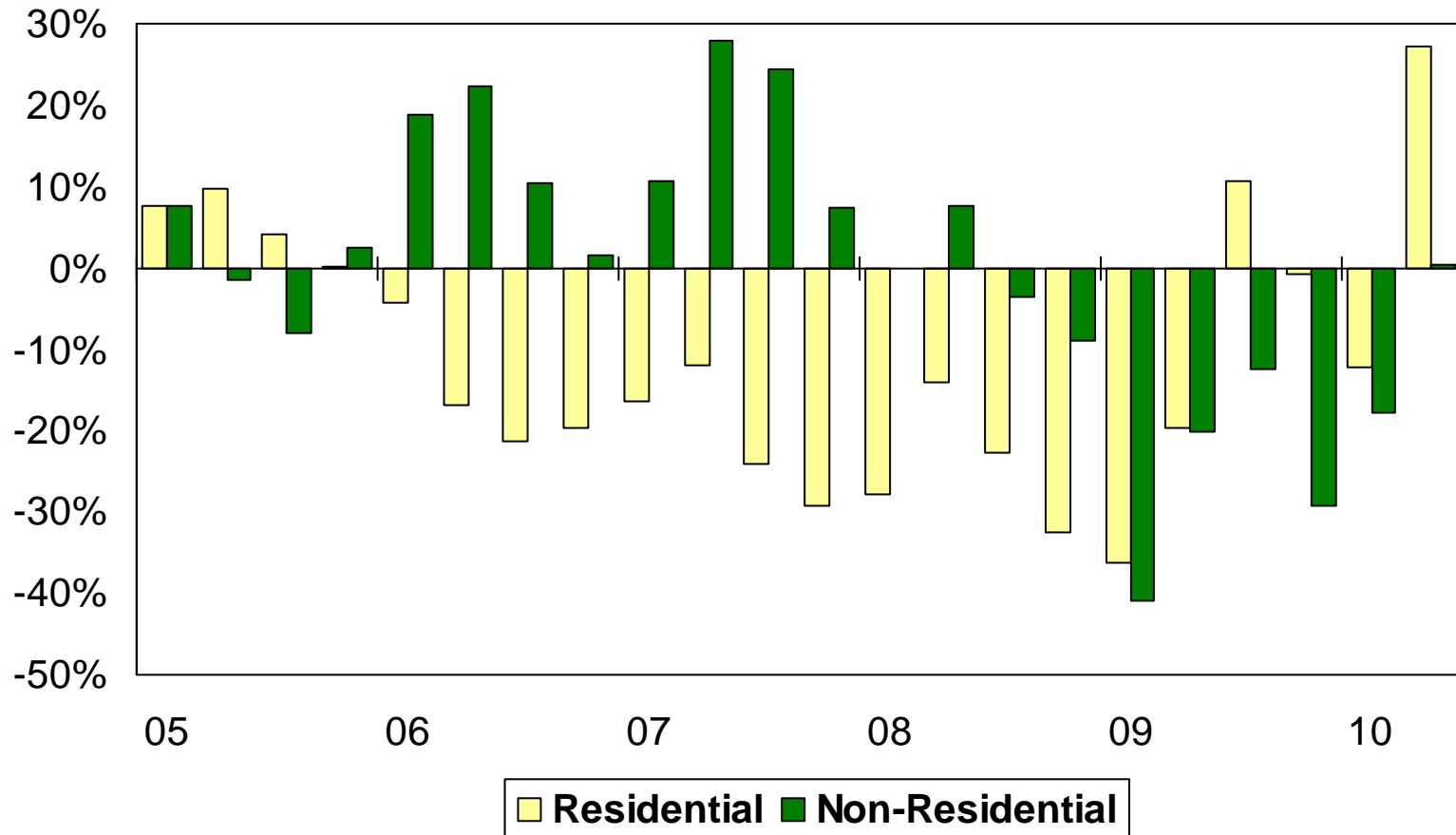
2 | Percent change of Gross Domestic Product (GDP) from preceding period. Seasonally adjusted at annual rates. The second quarter 2010 second estimate. Source: U.S. Bureau of Economic Analysis (BEA).

Consumption Growth Was +2.0% in the 2nd Quarter

	Growth By Component (%)			Share of GDP(%)
	2009	1Q10	2Q10	2Q10
Total GDP	-2.6	+3.7	+1.6	100.0
Personal Consumption	-1.2	+1.9	+2.0	70.5
Business Investment	-17.1	+7.8	+17.6	9.6
Housing Investment	-22.9	-12.3	+27.2	2.5
Exports	-9.5	+11.4	+9.1	12.5
Imports	-13.8	+11.2	+32.4	-16.1
Government Spending	+1.6	-1.6	+4.3	20.5

Growth: Percent change from preceding period, seasonally adjusted at annual rates.
 Share: Calculated from current-dollar estimates. Percentage shares do not add up to 100 because of rounding, and exclusion of inventory change. Source: BEA.

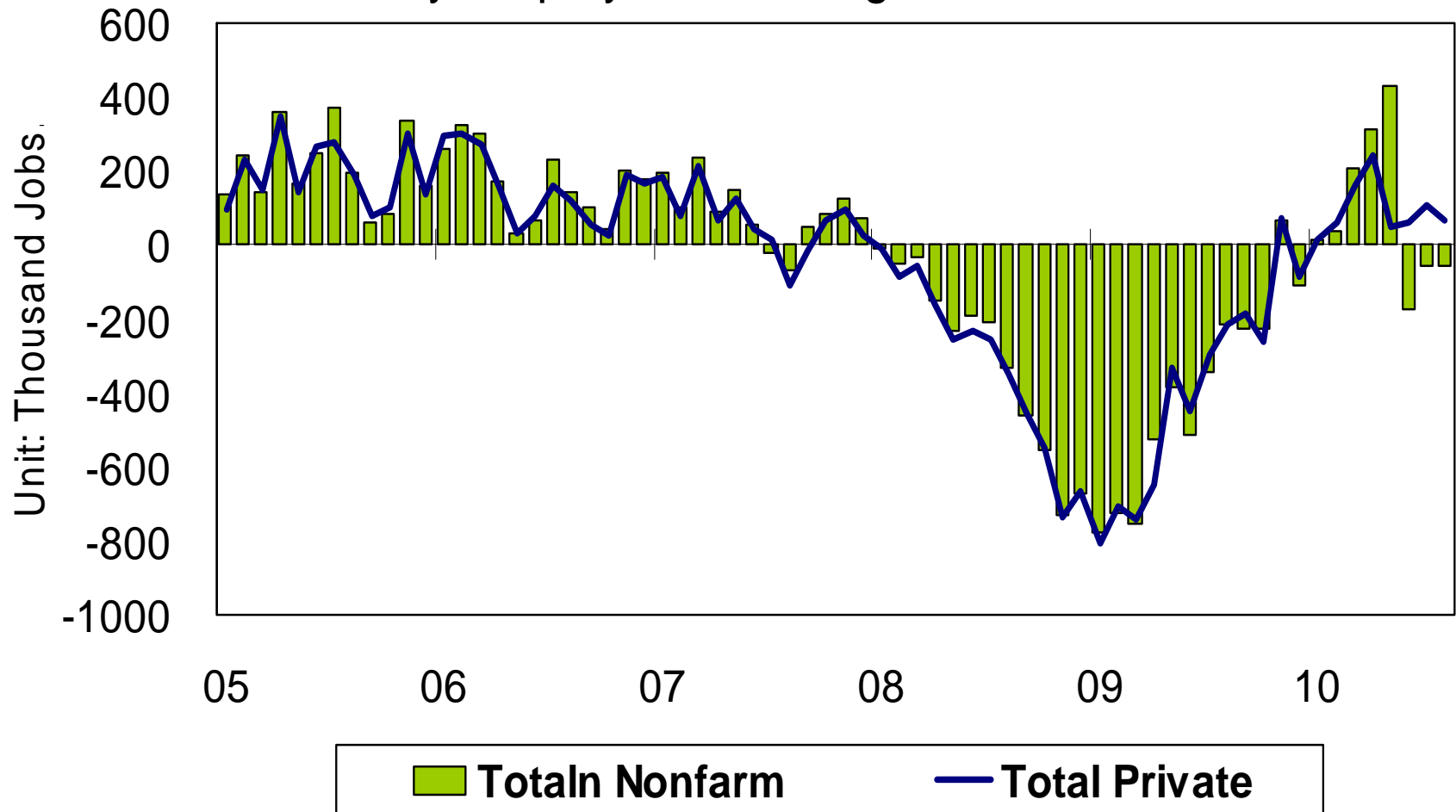
U.S. GDP Data: Property Investment Growth



4 | Percent change from preceding period. Seasonally adjusted at annual rates.
The second quarter 2010 second estimate. Source: BEA.

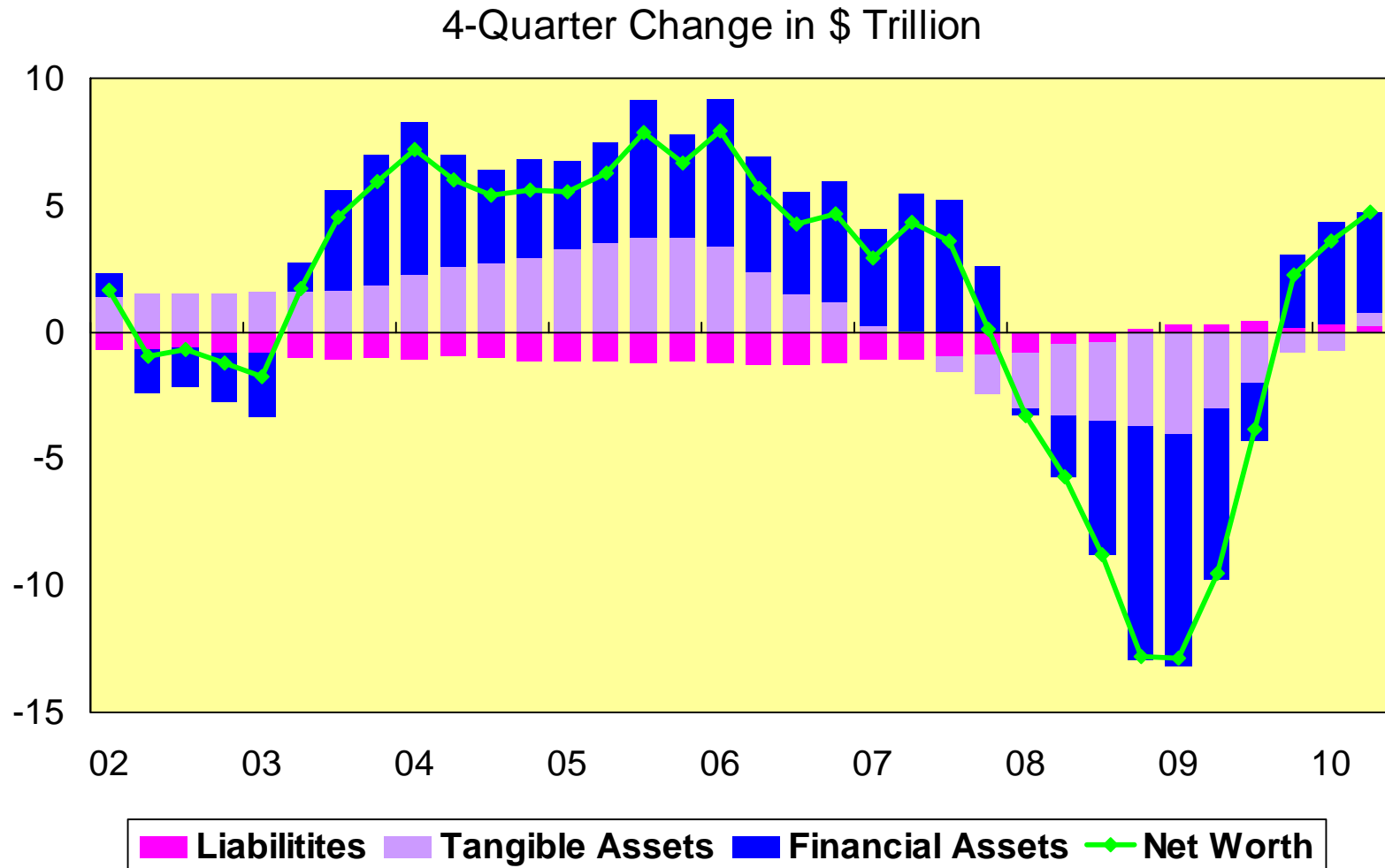
Nonfarm Employment Decreased by 54,000 in August

Monthly Employment Change: The United States

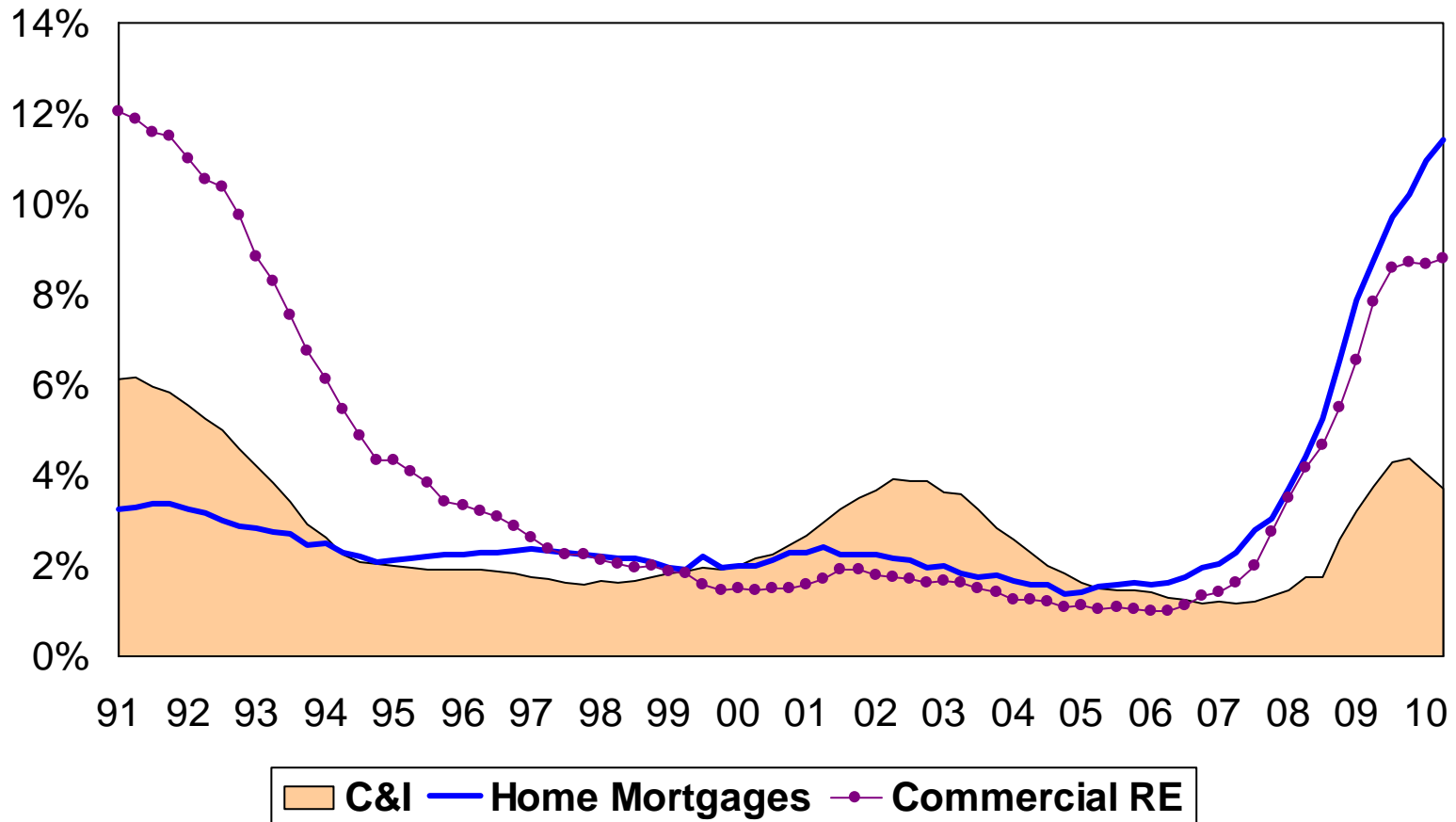


As of August 2010. Nonfarm payroll employment. Monthly changes. Seasonally adjusted data. Source: Bureau of Labor Statistics.

U.S. Household Net Worth Change



Delinquency Rates by Loan Types



BTMU Global Economic Outlook (August 2010)

	Real GDP Growth (%)			Consumer Prices Growth (%)		
	2009	2010	2011	2009	2010	2011
USA	-2.6	2.9	2.5	-0.4	1.6	1.3
Euro Zone	-4.0	1.2	0.9	0.3	1.4	1.3
Germany	-4.9	3.0	1.8	0.2	1.1	1.0
France	-2.2	1.4	1.3	0.1	1.6	1.5
Italy	-4.8	0.6	0.5	0.8	1.7	1.5
UK	-4.9	1.2	1.4	2.2	3.0	1.8
Japan	-5.2	2.8	1.3	-1.3	-1.0	0.1
China	9.1	10.2	9.1	-0.7	3.0	2.6
India	7.4	8.5	8.2	12.4	9.2	5.5

Financial Crises: Japan (1990s) vs. The U.S. (2008)

Similarities

- Background
 - Favorable global macroeconomic conditions
 - Low interest rates
- Asset Bubble
 - Fueled by increasing risk appetite and easy credit
- Asset Price Plunge
 - S&P 500 fell 50% (Oct. 2007 through Feb. 2009)
 - Nikkei fell 80% (Jan. 1990 through Mar. 2003)
- Policy Responses
 - Monetary easing
 - Fiscal stimulus packages
 - Infusion of public funds into the financial sector
- Financial Sector Consolidation

Financial Crises: Japan (1990s) vs. The U.S. (2008)

Differences

- Holders of nonperforming assets
 - Japan: **Banks**
 - US: **Investment banks**
Institutional investors
- Types of nonperforming assets
 - Japan: **Corporate loans**
 - US: **Residential mortgages**
- Loss recognition
 - Japan: **Slow**
 - US: **Relatively fast**
- Ultimate scopes of crises
 - Japan: **Domestic**
 - US: **Global**
- Years before public fund injection
 - Japan: **6**
 - US: **1+**
- Impact on the economy
 - Japan: **“Lost Decade”**
 - US: **“Great Recession”**

DISCLAIMER:

The opinions expressed herein are those of the presenter, Kei Matsuda, and do not necessarily represent the views of Union Bank.

Union Bank does not warrant the accuracy or completeness of information contained herein, such information is subject to change, and is not intended to influence your investment decisions.